## English local government

In England, urban planning and long term care are responsibility of local governments. Local authorities may be organized according to two main operational systems: one tier or two tier. Two tier systems are composed by county and district councils. County councils are the upper tier and cover wider geographical areas. District councils, on the other hand, are the lower tier and comprise more local matters. Normally, the activities managed by both councils are different although in some cases may overlap. One tier systems involve unitary authorities that are responsible for the provision of all the activities at local level. Unitary authorities may have two special subcategories that include the metropolitan boroughs and London boroughs.[[1]](#footnote-1)

Taking into account the former main categories, England has a total of 353 local authorities that include 27 county councils, 201 district councils and 125 unitary authorities.

Long term care is managed 152 local authorities that operate at council level.[[2]](#footnote-2) The main responsibility entails the commissioning (e.g. the purchase) of services for those clients eligible for public support. Since the mid-eighties, the provision of long term care operates according to market mechanisms. As a result, the *for profit* private sector has emerged as the main provider. In 2014 a 74% of the total places belonged to a private provider against 8% ruled by the public sector. The remaining 18% of the places were provided by the voluntary sector (Jarret 2017).

There are 19 private and 6 voluntary providers that own about a 30% of the beds available. Within these, 4 “main providers” are big chains that concentrate a 15% of the market share. The remaining 70% of the market share is composed by providers that have a reduced number of beds - no more than 0.4% of the beds each. Despite being very fragmented, the market for care homes presents in general a high level of competitiveness. This competitiveness presents notable differences across local authorities .[[3]](#footnote-3)

One explanation for these regional discrepancies corresponds to the composition of long term care recipients in each local authority. Hence, care homes may have two types of clients depending on how they fund their services. Private clients purchase and self fund their care according to market rules and their willingness to pay for different types of services. Likewise, there are also clients whose care is partially or fully funded by the local authorities. The eligibility and degree of this public support is based on a means-test that assesses their financial capacity. The market for this type of clients works as a quasi market in which the local authorities purchase the long term care services to private providers on behalf of the clients (Le Grand, 1991)[[4]](#footnote-4). The proportion of publicly funded clients is notably superior in comparison self-funded clients.[[5]](#footnote-5).

The fact that local authorities have to purchase care on behalf of a significant part of the demand, suggests that they may have certain buyer power when negotiating the fees applied to public funded clients. A consequence of the former is the potential cross subsidisation of privately funded clients in favour of the publicly supported. These situation has been documented both in the English long term care market (OFT, 2005; Hancock and Hviid, 2010; Forden and Allan 2014) and in the US (Mukamel and Spector, 2002; Gravowski 2004).

Unlike long term care, urban planning is managed at district level. The planning system entails activities aimed at meeting various strategic priorities for the areas that compose the district. These priorities are set out in the National Planning Framework - a national framework aimed at guiding policies that entail development decisions for meeting local needs and involve the fulfilment of local needs at socio-economic, cultural, security and health level.

The design of local planning policies has been regarded as one of the main drivers that constrains the housing supply and leads to increases in the house prices. In addition of being more restrictive than other countries (Cheshire 2009, Hilber 2015), English planning regulations are complex. For example, owners of some areas may have more incentives to promote “not in my backyard” policies that restrict the local development. The underlying rationale for that is that these tighter regulations lead to increases in the land value of those areas already developed. Conversely, for those owners in less developed areas, these policies imply a cost (Hilber and Robert-Nicoud, 2013).

In figure 1 we present evidence about the greater capitalization of the house values in more restrictive areas. Particularly we show positive association between the house prices and the historical of refusal of major projects.

[INSERT FIGURE 1 ABOUT HERE]

Besides the level of house prices has not evolved evenly across the different regions in England. Figure 2 plots the evolution of the average real house prices over the last two decades. Areas located in the South East, East and South West, in addition to London, have registered the higher increases.

[INSERT FIGURE 2 ABOUT HERE]

The effects of planning regulations have been studied also in other activities such as the retail sector for the UK (Griffith and Harmgart (2008), Haskel and Sadun (2012), Cheshire et al (2015), Sadun (2015)), France (Betrand and Kramarz (2002)), Italy (Schivardi and Viviano (2011)) or Spain (Sanchez Vidal, 2015)

1. Some areas of England have another tier that includes town and parish councils. This level of local government rules smaller local services. [↑](#footnote-ref-1)
2. Before 2008, these activities were managed by Primare Care Trusts (PCT). The Health and Social Care Act (2008) transferred public health matters – which included long term care activities among others, from these PCT to local authorities. Other issues where PCT were responsible for, such as clinical and health issues, became responsibility of the clinical commissioning groups (CCG). [↑](#footnote-ref-2)
3. Considering registered care homes in all sectors, the South East is the region that has more registered care homes (currently more than 1,000). This proportion of care homes contrasts with the North East where there are about 360 registered care homes. [↑](#footnote-ref-3)
4. This formula has been applied for the delivery of various public services in the UK . Using the nursing and residential care market, Barron and West (2017) analyse the performance in terms quality standards of different types of providers. Their main result suggests that facilities that operate in quasi markets are, on average, of higher quality.1 es have evaluated the effect e associatio g tions and the housing markets. e UK k for d importn for de in this course. Anothe [↑](#footnote-ref-4)
5. Using information from Laing Buisson market reports, Jarret (2017) argue that publicly funded clients would be about a 50% more than private clients in 2014. [↑](#footnote-ref-5)